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APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE
ELECTRIC POWER COMPANY FOR § OF
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS

**PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW OF
NUCOR STEEL LONGVIEW, LLC**

Nucor Steel Longview, LLC (“Nucor”) hereby submits its Proposed Findings of Fact and Conclusions of Law for consideration by the Administrative Law Judges (“ALJs”) in this proceeding. Nucor respectfully requests that the ALJs issue, and the Public Utility Commission (“Commission”) adopt, a Proposal for Decision consistent with the findings and conclusions herein.¹ To the extent an issue in this proceeding is not specifically addressed below, Nucor requests the entry of findings of fact and conclusions of law that are consistent with Nucor’s positions in this proceeding.

PROPOSED FINDINGS OF FACT

These Proposed Findings of Fact are presented in a manner consistent with the approved Briefing Outline in this proceeding.

II. Invested Capital - Rate Base [PO Issues 4, 5, 10, 11, 12, 13, 14, 15, 16, 18, 19, 20, 21, 22]

A. Generation, Transmission, and Distribution Capital Investment [PO Issues 4, 5, 10, 11, 13, 14, 15, 16]

1. Dolet Hills Power Station [PO Issues 67, 68, 69, 70, 71]

1. Southwestern Electric Power Company (“SWEPCO” or the “Company”) plans to retire the Dolet Hills Power Station no later than December 31, 2021.²
2. To offset the remaining costs associated with Dolet Hills, SWEPCO proposes to apply its unprotected and protected excess Accumulated Deferred Income Taxes (“ADIT”) regulatory liability to offset a portion of those costs, and SWEPCO proposes to depreciate

¹ All exhibit page numbers cited reflect the page numbers shown on the exhibits admitted at the hearing on the matter. Per SOAH Order Nos. 4 & 13, where there could be confusion, the type of page number cited herein is identified in the initial citation to the particular exhibit.

² SWEPCO Direct Testimony of Thomas P. Brice, SWEPCO Exhibit 4 at 6:11-12.

the remaining balance over a four-year period.³

3. SWEPCO's proposal would unduly increase costs to its ratepayers and would inappropriately shift the benefits of the excess ADIT balances from ratepayers to shareholders.⁴
4. SWEPCO's proposal is rejected, and SWEPCO is instead instructed to recover the unrecovered balance of Dolet Hills over the original useful life, through 2046, and to refund to customers the excess ADIT balances.

III. Rate of Return [PO Issues 4, 5, 8, 9]

A. Overall Rate of Return, Return on Equity, Cost of Debt [PO Issue 8]

1. Return on Equity

5. SWEPCO proposes a rate of return on equity ("ROE") of 10.35% in this proceeding.⁵
6. SWEPCO's proposed ROE is 75 basis points higher than SWEPCO's currently approved ROE of 9.60%.⁶
7. SWEPCO's proposed ROE is excessive. A 9.00% ROE is more appropriate and justified because it both reflects the current market cost of equity capital and because SWEPCO has less financial risk than comparable companies based on SWEPCO's proposed 49.37% common equity ratio.⁷

VI. Functionalization and Cost Allocation [PO Issues 4, 5, 52, 53, 55, 56, 57, 58]

B. Class Allocation [PO Issues 53, 58]

8. SWEPCO sets forth the appropriate rate classes, as amended in its rebuttal testimony.
9. SWEPCO's rate classes are not at unity under current rates. However, adopting Nucor witness James W. Daniel's proposed revenue distribution, as discussed below, will move all classes closer to unity. Thus, the Commission adopts Nucor witness James W. Daniel's proposed revenue distribution.

³ *Id.* at 7:20-8:6.

⁴ See CARD Direct Testimony of Mark E. Garrett, CARD Exhibit 2 at 7:3-6 & 7:24-26; TIEC Direct Testimony of Billie S. LaConte, TIEC Exhibit 4 at 8:1-5 (native page no.); ETEC/NTEC Direct Testimony of Steven D. Hunt, ETEC/NTEC Exhibit 1 at 5:16-17.

⁵ SWEPCO Direct Testimony of Dylan W. D'Ascendis, SWEPCO Exhibit 8 at 7:2.

⁶ See *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Order on Rehearing at 31 (Mar. 19, 2018).

⁷ CARD Direct Testimony of Dr. J. Randall Woolridge, CARD Exhibit 4 at 4:24-5:3.

VII. Revenue Distribution and Rate Design [PO Issues 4, 5, 47, 48, 52, 59, 60, 61, 62, 75, 76, 77, 78, 79]

A. Rate Moderation / Gradualism [PO Issue 52]

10. In allocating the revenues in this case, SWEPCO is to first consider the Transmission Cost Recovery Factor (“TCRF”) and Distribution Cost Recovery Factor (“DCRF”) revenues, as recommended by Nucor witness Daniel.⁸
11. Nucor witness James W. Daniel sets forth the appropriate objectives SWEPCO should use in developing a revenue distribution method. Those objectives are:
 - a. The revenue distribution should be specific to each customer class in the class cost of service study rather than to broad groups of customers;
 - b. The revenue distribution should result in customer class revenue levels that equal their cost of service or that make a significant move toward their cost of service, to the extent practical;
 - c. In situations where moving completely to the cost of service results in a substantial rate increase for a customer class, gradualism should be applied in order to alleviate the rate increase; and
 - d. Any revenue shortfall due to the application of gradualism should be appropriately spread to other customer classes.⁹
12. The revenue distribution method proposed by Nucor witness Daniel moves most classes closer to unity and is the appropriate revenue distribution method to be applied in this case.¹⁰
13. Most classes should be set equal to their cost of service. Gradualism should only be applied to the Cotton Gin Service, Oilfield Secondary Service, and Public Street and Highway Lighting Service rate classes.¹¹
14. The base rate revenue increases for these three rate classes should be limited to 1.5 times the average SWEPCO increase of 24.96%, or 37.44%. The revenue shortfall resulting from this gradualism should be proportionately assigned to those rate classes that receive below

⁸ See Nucor Direct Testimony of James W. Daniel, Nucor Exhibit 1, at 14:6-25.

⁹ Nucor Cross-Rebuttal Testimony of James W. Daniel, Nucor Exhibit 2 at 3:15-4:3 (native page no.).

¹⁰ See Nucor Direct Testimony of James W. Daniel, Nucor Exhibit 1, Exhibit JWD-6.

¹¹ *Id.* at 16:4-15.

average base rate increases.¹²

PROPOSED CONCLUSIONS OF LAW

1. SWEPCO has the burden under PURA § 36.006(1) of proving that any rate change it proposes is just and reasonable.
2. SWEPCO's overall revenues approved in this proceeding comply with PURA § 36.051 and will permit SWEPCO a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses.
3. The ROE authorized in this proceeding is consistent with the requirements of PURA §§ 36.051 and 36.052.
4. SWEPCO's rates, as approved in this proceeding, are just and reasonable in accordance with PURA § 36.003 and 16 T.A.C. § 25.234.
5. 16 TAC § 25.234, relating to rate design, requires that rates "shall be based on cost," and the rates approved in this proceeding, as described in the Findings of Fact above, are based on cost.

Respectfully submitted,

STONE MATTHEIS XENOPOULOS & BREW, PC

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**AUTHORIZED REPRESENTATIVES FOR
NUCOR STEEL LONGVIEW, LLC**

¹² *Id* at 16:18-23.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was served via electronic transmission, hand delivery and/or U.S. mail to all parties of record this 1st day of July 2021.

/s/ Camie Flowers

Camie Flowers